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IRS says liberal group too political for 'social welfare' status ^[1]

Agency rejects tax-exempt application of pro-Blanche Lincoln Arkansans for Common Sense

By **Michael Beckel** ^[2]

16 hours, 22 minutes ago

The Internal Revenue Service wasn't just targeting tea party organizations and other conservative groups that applied for tax-exempt status.

The agency recently denied the application of a liberal group that played a prominent role in the failed re-election bid of Senate Agriculture Committee Chairwoman Blanche Lincoln in 2010.

In a [letter](#) ^[3] dated March, 19, 2014, and publicly released last week, the IRS told liberal group Arkansans for Common Sense that it did not qualify for tax-exempt status under Sec. 501(c)(4) of the U.S. tax code — the section for organizations "operated exclusively for the promotion of social welfare."

"You are not primarily operated for the promotion of social welfare of the people of the community because your primary activities are the participation in a political campaign on behalf of or in opposition to a candidate for public office," stated [the letter](#) ^[3], which was redacted, as required by law, to omit identifying information about the group and candidates in question.

But Ben Noble, the former executive director of the [now-defunct](#) ^[4] Arkansans for Common Sense, confirmed to the [Center for Public Integrity](#) ^[5] that his group "did receive a rejection letter."

An initial rejection letter from the IRS to Arkansans for Common Sense was dated May 7, 2013 — just three days before IRS official Lois Lerner [acknowledged](#) ^[6] the targeting of applications from political advocacy groups for 501(c)(4) status.

The March 2014 letter rejects Arkansans for Common Sense's appeal and notes that the group is now required to file income tax returns.

Ahead of Lincoln's contentious 2010 primary battle against fellow Democrat Bill Halter, Arkansans for Common Sense spent \$192,000 on advertisements urging voters to support Lincoln. After Halter forced Lincoln into a runoff, the group launched a \$446,000 negative ad blitz against him.

Those expenditures — which were [reported to the Federal Election Commission](#) ^[7] because they expressly advocated for Lincoln's election or Halter's defeat — constituted 49.5 percent of Arkansans for Common Sense's total \$1.3 million in spending in 2012, according to the group's [2010 tax return](#) ^[8].

When the FEC asked who was bankrolling the groups' ads, Arkansans for Common Sense [told the agency](#) ^[9] that its donors made contributions to support its "general purpose of educating the public on a wide range of issues of general concern." Social welfare nonprofits are only required tell the FEC the names of donors who give to help produce specific ads — something that rarely happens.

Arkansans for Common Sense continued to run pro-Lincoln advertisements ahead of the general U.S. Senate election, which she ultimately lost to Republican John Boozman.

According to its [2010 tax return](#) ^[8], Arkansans for Common Sense spent \$1.2 million on "radio and television time in order to educate Arkansas on key issues facing the state." Based on records Arkansans for Common Sense later submitted to the IRS, the agency concluded that "about 85 percent" of the group's expenses for media buys were incurred "during periods leading up to the primary and general elections."

Nonprofits organized under Sec. 501(c)(4) of the U.S. tax code have played an increasingly important role in elections following the U.S. Supreme Court's [Citizens United v. Federal Election Commission ruling](#) ^[10] in January 2010.

That decision held that corporations, including certain nonprofit corporations and unions, could spend general treasury funds on advertisements that called for the election or defeat of candidates.

Critics have contended that some political groups are masquerading as social welfare nonprofits to avoid disclosing the names of their donors. Campaign finance reform groups have [repeatedly](#) ^[11] [asked](#) ^[12] the IRS to investigate big-spending social welfare nonprofits such as the pro-Republican Crossroads GPS and pro-Democratic Priorities USA.

At the same time, the IRS has been the focus of Republican-led congressional inquiries and withering criticism stemming from its [practice](#) ^[13] [earlier](#) ^[14] [this](#) ^[15] [decade](#) ^[16] of targeting primarily conservative organizations for heavy scrutiny while reviewing their applications for tax-exempt status.

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**BRENDAN
GLEESON**

July 20, 2011

3 Groups Denied Break by I.R.S. Are Named

By **STEPHANIE STROM**

Three nonprofit advocacy groups that were denied tax exemption by the Internal Revenue Service were all units of Emerge America, an organization devoted to cultivating female political leaders for local, state and federal government.

The I.R.S. denied tax exemption to the groups — Emerge Nevada, Emerge Maine and Emerge Massachusetts — because, the agency wrote in denial letters, they were set up specifically to cultivate Democratic candidates. Their Web sites ask for evidence that participants in their training programs are Democrats.

News of the I.R.S. decision, which surfaced in heavily redacted denial letters to the groups that were posted to the agency's Web site last Thursday, raised concerns among advocacy groups, known as 501(c)(4) organizations after the section of the tax code that governs them, at large.

Crossroads GPS, a conservative advocacy organization with ties to Karl Rove, the Republican strategist, sent an e-mail to supporters on Tuesday, assuring them that it was not one of the three groups denied exemption.

Karen Middleton, president of Emerge America, acknowledged on Wednesday that the three state organizations had been denied an exemption. She said the groups were in the process of converting into 527 organizations, which are also tax-exempt but disclose their donors, unlike 501(c)(4) groups.

"We're all small organizations," Ms. Middleton said. "We train about 25 Democratic women each year in each state where we work, and we don't engage in any work that involved candidates or campaigns."

The I.R.S. has approved five other state Emerge organizations — in California, Arizona, New Mexico, Wisconsin and Kentucky — as advocacy groups.

"It's just bizarre," said Kimberly Ellis, executive director of Emerge California. "Nevada has

been around and waiting for approval for the last five years, and in the interim, Oregon and Kentucky are established and file for their approval — and Kentucky gets it but Nevada, Maine and Massachusetts don't."

Michelle Eldridge, an I.R.S. spokeswoman, said the agency could not comment on individual taxpayers.

Paul Streckfus, a former I.R.S. official, said such inconsistency was not unusual. In part, it is because the office that handles approval of tax-exempt groups, he said, receives hundreds if not thousands of applications a day at its office in Cincinnati. Some of the applications are then sent for processing at field offices around the country, and, in some cases, to headquarters in Washington.

"My guess is that the one that recently got approved went to a different office than the ones that were denied, which seem to have been handled in Washington," Mr. Streckfus said.

Ms. Ellis said Kentucky's application was processed in an I.R.S. office in the Western United States. She did not know where the still-pending application of Emerge Oregon ended up.